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New Zealand

Fresh Deciduous Fruit

Semi-Annual

2005

Approved by:
David Rosenbloom
U.S. Embassy

Prepared by:
Alastair Patterson

Report Highlights:
New Zealand's apple harvest in 2005 is estimated to decline 8 percent to 504,000 tons. Exports are estimated to decline 11 percent to 320,000 tons as a result. New Zealand's pear harvest for 2005 is estimated to decline 40 percent to 7,000 tons. Exports are estimated to decline 16 percent to 5,300 tons, while imports will increase 50 percent to 4,500 tons. The main factor influencing production in both crops is their biennial nature. New Zealand's attempts to gain access to the Australian apple market are ongoing and the industry is currently waiting for the release of a new import risk analysis. New Zealand is also aiming to gain better access to the Japanese market.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Wellington [NZ1]
[NZ]

SECTION I. SITUATION AND OUTLOOK

New Zealand's apple harvest in 2005 is estimated to decline 8 percent to 504,000 tons. Exports are estimated to decline 11 percent to 320,000 tons. This is a slight revision to FAS Wellington's initial forecast. The biennial nature of some of New Zealand's main apple crops contributed to lower national production. The quality of the crop overall was good, although there was some hail and wind-rub damage. Some of the apples did not develop optimal color due to the inadequate number of cool nights that are necessary for color development. The poor profitability experienced by New Zealand apple growers in 2004 has continued in 2005. Returns per carton have averaged below costs of production, forcing many growers to fund their operations by increasing their debt levels. Many growers are contemplating exiting the industry.

Juice production is estimated to decrease 4 percent in 2005 as a result of a lower number of harvested apples. Exports are estimated to decline 10 percent, while imports increase 23 percent, based on trade data for the first half of 2005.

New Zealand's pear harvest in 2005 is estimated to decline 40 percent to 7,000 tons. Exports are estimated to decline 16 percent to 5,300 tons, while imports increase 50 percent to 4,500 tons. The biennial nature of some of New Zealand's main pear crops contributed to lower national production, with 2005 considered by some industry analysts to be a high-low volume season. The crop was considered by many industry analysts to be of good quality. Demand has outstripped supply in many cases, particularly in the U.S. market, which is New Zealand's largest export market for pears.

New Zealand's attempts to gain access to the Australian apple market are ongoing and the industry is currently waiting for the release of a new import risk analysis. The New Zealand government still hopes to solve this issue with Australia bilaterally, avoiding the need to take formal measures through the WTO. New Zealand did, however, inscribe the issue on the agenda of the WTO's Sanitary and Phytosanitary (SPS) committee in July 2005 in the hope that this will encourage the Australian government to take positive action. This statement was supported by the United States and the European Union.

New Zealand also lodged a formal request with Japan in mid-2005 for better access to their market, following the WTO ruling against Japan. New Zealand wants Japan to reconsider its protocols for codling moth and fire blight in relation to imports of New Zealand apples. New Zealand currently has access to the Japanese market, but the rules are onerous and uneconomical. New Zealand is hoping to get a revised agreement with Japan based on Japan's new agreement with the United States.

SECTION II. STATISTICAL TABLES

PS&D TABLES

New Zealand Apples, Fresh						(HA)(1000 TREES)(MT)
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2002		10/2003		10/2004
Area Planted	11700	11700	11000	11000	11000	11000
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	460000	460000	511000	511000	464000	468000
Non-Comm. Production	35000	35000	39000	39000	36000	36000
TOTAL Production	495000	495000	550000	550000	500000	504000
TOTAL Imports	350	350	680	360	700	200
TOTAL SUPPLY	495350	495350	550680	550360	500700	504200
Domestic Fresh Consump	65075	65075	56000	56000	56000	55000
Exports, Fresh Only	327000	327000	390000	358000	350000	320000
For Processing	103275	103275	104680	136360	94700	129200
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	495350	495350	550680	550360	500700	504200

New Zealand Apple Juice, Concentrated						(MT)
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2002		10/2003		10/2004
Deliv. To Processors	103275	103275	104680	136360	94700	129200
Beginning Stocks	0	0	0	0	0	0
Production	17600	17600	17800	23000	16100	22000
Imports	2500	4681	5000	5600	6000	6900
TOTAL SUPPLY	20100	22281	22800	28600	22100	28900
Exports	11100	6600	10600	14500	11000	13000
Domestic Consumption	9000	15681	12200	14100	11100	15900
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	20100	22281	22800	28600	22100	28900

New Zealand Pears, Fresh						(HA)(1000 TREES)(MT)
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2002		10/2003		10/2004
Area Planted	995	995	1000	1000	1000	1000
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	3085	3085	10400	10400	6500	6500
Non-Comm. Production	415	415	1350	1350	500	500
TOTAL Production	3500	3500	11750	11750	7000	7000
TOTAL Imports	2900	2900	3700	3000	3000	4500
TOTAL SUPPLY	6400	6400	15450	14750	10000	11500
Domestic Fresh Consump	1400	1400	5150	4450	2550	3200
Exports, Fresh Only	2500	2500	6300	6300	4500	5300
For Processing	2500	2500	4000	4000	2950	3000
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	6400	6400	15450	14750	10000	11500

TRADE MATRICES

New Zealand Fresh Apple Exports					
Country	Jan – Dec			Jan - Jul	
	2002	2003	2004	2004	2005
Other EU	84119	77805	92008	92008	57690
United Kingdom	72728	73591	78453	77384	64051
United States	58348	49158	56376	56186	32240
Netherlands	19578	27457	48429	48429	66031
Taiwan	13818	14557	19279	18405	25384
Germany	14685	20798	14491	14491	21179
Hong Kong	7658	11121	6807	6257	4332
Malaysia	10563	8315	6034	5461	3586
Singapore	9188	7821	5230	4707	3395
France	2305	2766	4752	4752	7681
Canada	1824	3916	3961	3940	4114
Indonesia	3631	4742	3256	2947	2165
India	2477	2705	2477	2456	2501
Other	17938	18006	16774	14390	18835
Total	318860	322758	358327	351813	313184

New Zealand Fresh Pear Exports					
Country	Jan – Dec			Jan - Jul	
	2002	2003	2004	2004	2005
United States	4473	1486	3151	3151	2981
United Kingdom	2183	478	1647	1647	1055
Other EU	1204	173	680	680	430
Netherlands	857	28	283	283	202
Singapore	100	51	126	126	97
France	73	48	118	118	38
Other	332	191	328	248	244
Total	9222	2455	6333	6253	5047

Source: Statistics New Zealand, Pipfruit New Zealand, FAS Estimate

SECTION III. PRODUCTION, TRADE AND POLICY

Production

New Zealand's apple harvest in 2005 is estimated to decline 8 percent to 504,000 tons. Exports are estimated to decline 11 percent to 320,000 tons. This is a slight revision to FAS Wellington's initial forecast. The biennial nature of some of New Zealand's main apple crops contributed to lower national production. This was particularly evident in the smaller crops of Braeburn and Fuji this season. Production was further reduced through orchard management practices, implemented by growers attempting to minimize losses predicted by many industry analysts. It should be noted, however, that the harvest is still higher than New Zealand's long-term average. The overall quality of the crop was good, with some hail and wind-rub damage. Some of the apples did not develop optimal color due to the inadequate number of cool nights that are necessary for color development. Additionally, some apples were held in storage at their destination countries for longer than expected at the beginning of the season, adversely affecting quality.

The poor profitability experienced by New Zealand apple growers in 2004 has continued in 2005. Returns per carton have averaged below costs of production, forcing many growers to fund their operations by increasing their debt levels. Many growers are contemplating exiting the industry. Industry observers cite larger volumes of Argentinean, South African and Chilean apples on the European market forcing prices down. Combined with New Zealand's currently strong exchange rate, returns to growers have fallen below last season's poor returns. The lack of coordination in New Zealand's now deregulated pipfruit industry has also hurt returns to growers. New Zealand's image for high quality fruit has been negatively affected since deregulation by the volume of poor quality fruit reaching international markets. Also, a large amount of fruit has been exported to markets without a buyer, leading to price discounting.

Returns for some varieties have been good, including the Pacific series, Fuji, Pink Lady and Enza's Jazz™ variety. The majority of New Zealand's crop, however, is made up of Braeburn and Royal Gala, both of which are commodity apples, with average returns below the cost of production. Returns in the U.S. market were better than anticipated for New Zealand growers, however many exporters had reduced their sales programs before the season began, anticipating poor returns from the market. This resulted in a 45 percent decline in apple volume exported to the United States in the first half of 2005.

Many industry observers predict that there will be a high level of consolidation in the near future as poor returns push ineffective growers and post-harvest operators out of the industry. Those that remain are likely to increase the size of their operations. Many operators are becoming more vertically integrated and some continue to invest in the industry with a long-term focus. Plantings of nursery trees are ongoing, with a total of 600,000 nursery trees purchased in 2004. Most of these were used to replant existing orchards rather than start new orchards on bare land.

Juice production is estimated to decrease 4 percent in 2005 as a result of a lower number of harvested apples. Exports are estimated to decline 10 percent, while imports increase 23 percent, based on trade data for the first half of 2005.

New Zealand's pear harvest in 2005 is estimated to decline 40 percent to 7,000 tons. Exports are estimated to decline 16 percent to 5,300 tons, while imports increase 50 percent to 4,500 tons. The biennial nature of some of New Zealand's main pear crops contributed to lower national production, with 2005 considered by some industry analysts to be a high-low volume season. The crop was considered by many industry analysts to be of good quality.

Demand has outstripped supply in many cases, particularly in the U.S. market, which is New Zealand's largest export market for pears.

The Fire Blight Issue – Access to the Australian and Japanese Markets

New Zealand's attempts to gain access to the Australian apple market are ongoing (see NZ5001) and the industry is currently waiting for the release of a new import risk analysis. New Zealand reinitiated its request for access to the Australian market following the United States success in gaining access to the Japanese market through the WTO, where fire blight was also used as a non-tariff barrier. The New Zealand government still hopes to solve this issue with Australia bilaterally, avoiding the need to take formal measures through the WTO. New Zealand did, however, inscribe the issue on the agenda of the WTO's Sanitary and Phytosanitary (SPS) committee in July 2005 in the hope that this will encourage the Australian government to take positive action. This statement was supported by the United States and the European Union. This followed a protest march by New Zealand apple growers in June 2005, from New Zealand's parliament to the Australian High Commission in Wellington. Approximately 700 protestors participated in the march according to industry sources. Access to the Australian market has an estimated worth of approximately NZ$ 20 million to New Zealand.

New Zealand also lodged a formal request with Japan in mid-2005 for better access to their market, following the WTO ruling against Japan. New Zealand wants Japan to reconsider its protocols for codling moth and fire blight in relation to imports of New Zealand apples. New Zealand currently has access to the Japanese market, but the rules are onerous and uneconomical. New Zealand is hoping to get a revised agreement with Japan based on Japan's new agreement with the United States.

Voluntary Industry Quality Standards

Pipfruit New Zealand is planning to introduce new voluntary quality standards for New Zealand's pipfruit industry in January 2006, before fruit harvesting begins. This is in response to concerns within the industry and international markets that fruit quality had decreased following deregulation of New Zealand's apple industry. As the industry is deregulated the standards are unable to be made compulsory. Pipfruit New Zealand, the pipfruit industry good body, developed the guidelines working with growers, packers and exporters. These groups are all covered under the guidelines. The focus of the guidelines will emphasize post harvest operators more than growers. Apples that conform to this quality standard will be eligible to carry a quality mark.

Prevar

The research joint venture announced in 2004 (see NZ4016) between Pipfruit New Zealand, HortResearch, Apple and Pear Australia and the Associated International Group of Nurseries has been named Prevar. This new organization is tasked with developing new pipfruit varieties and help drive innovation in the industry. According to industry participants, Prevar is planning to commercialize 5 new apple and pear varieties, out of 15 new varieties that were under consideration for commercial release.

Horticulture New Zealand

Horticulture New Zealand (HNZ) is scheduled to officially launch in November 2005 (see NZ5001), following the election of its board by the end of October. HNZ is being created as an umbrella organization to present a unified voice for New Zealand's horticulture industry. It will absorb the New Zealand Fruitgrowers Federation, the New Zealand Potato and Vegetable Growers Federation and the New Zealand Berryfruit Growers Federation.